3 April 2024

Hilton Food Group plc Preliminary results

for the 52 weeks ended 31 December 2023

Robust financial and strong operational performance in 2023

Current trading in line with expectations

Business highlights - operational progress across all aspects of the business

- Seafood recovery delivered ahead of plan, returning to full year operating profitability and supporting uplift in Group PBT
- Core Meat category continued to perform well; strong meat volume growth in APAC and a resilient outturn in Europe and UK, achieved against inflationary backdrop
- Growth of international customer base via new deal with Walmart in Canada; organic growth achieved with existing customers, such as successful launch of Swedish food park
- Action taken in vegan and vegetarian to successfully consolidate business to single operating facility
- Industry-leading technology continued to provide competitive edge, underpinning customer partnerships and supporting core business; further headroom for growth
- Progress in Sustainable Protein Plan, a central foundation to our commercial offer; more ambitious validated SBTi targets in line with 1.5°C pathway
- Innovation across outstanding food products, supporting customers in response to changing consumer trends. Great value protein ranges and healthy new pre-prepared products launched

Financial overview – growth in revenue and volume; increase in profitability driven by Seafood

- Revenues up 3.7% to £3.99bn with volume increase of 0.7%; adjusted operating profit increased by 33.5% to £95.0m with statutory operating profit up 59.4%
- Strong free cash inflow of £112.1m (2022: outflow £79.4m); remaining a highly cash generative core business
- Net bank debt £139.7m (2022: £211.6m); year end net bank debt as a percentage of adjusted EBITDA reduced to 1.0 times (2022: 1.8 times)
- Proposed final dividend of 23.0p, taking total dividend for 2023 to 32.0p (2022: 29.7p) reflecting the Board's confidence

	2023 52 weeks to 31 December 2023	2022 52 weeks to 1 January 2023	Change Reported	 Constant currency
Volume (tonnes) [1]	**517,347**	**513,816**	**0.7%**	**0.7%**
Revenue	**£3,989.5m**	**£3,847.6m**	**3.7%**	**5.7%**
Adjusted operating profit	**£95.0m**	**£71.1m**	**33.5%**	**34.7%**
Adjusted profit before tax	**£66.0m**	**£55.5m**	**19.0%**	**20.3%**
Adjusted basic earnings per share	**52.8p**	**45.1p**	**17.1%**	**17.9%**
Statutory operating profit	**£86.1m**	**£54.0m**	**59.4%**	
Statutory profit before tax	**£48.6m**	**£29.6m**	**64.2%**	
Statutory basic earnings per share	**40.6p**	**19.8p**	**105.1%**	
Free cash flow	**£112.1m**	**£-79.4m**		
Net bank debt [3]	**£139.7m**	**£211.6m**		
Dividends paid and proposed in respect of the year	**32.0p**	**29.7p**	**7.7%**	

Notes
1 Volume includes 50% share of the Portuguese joint venture activities
2 Adjusted results represent the IFRS results before deduction of acquisition intangibles amortisation, depreciation of fair value adjustments to property, plant & equipment, exceptional items and also IFRS 16 lease adjustments as detailed in the Alternative performance measures note 17. Unless otherwise stated financial metrics in the Chairman's statement, Chief Executive's summary and Performance and financial review refer to the Adjusted results
3 Net bank debt represents borrowings less cash and cash equivalents excluding lease liabilities

Outlook and current trading

2024 trading has started in line with Board expectations although markets remain challenging. We are confident the business is well placed, within a large and attractive international market, to continue to deliver its strategy to create long term value for shareholders, through its outstanding protein products, dedicated partnerships, leading technology offer through Greenchain Solutions and a robust sustainability plan.

Growth prospects are underpinned by the strength of our core meat business, the continued recovery in seafood and in the medium term our recent acquisitions and the developing relationship with Walmart in Canada. The Group's financial position remains strong, with improving leverage and headroom at comfortable levels, and we continue to explore new growth opportunities with existing partners, wider geographic expansion and complementary M&A.

Steve Murrells CBE Hilton Foods Chief Executive Officer, said:
"Over the past year we've remained focused on executing our strategy which has resulted in a good performance against a challenging market. I am particularly pleased with the results in our seafood category, returning to full year operating profitability following a successful turnaround. Our core meat category performed strongly and we worked closely with customers to offer the highest quality and most relevant food products to consumers.

"As I set out at our investor day in November, Hilton Foods has the right attributes in place to unlock growth organically and with new customers thanks to our multi-category product offer, industry leading technology and rigorous sustainability credentials. I'd like to thank all our teams across our markets for their continued hard work and contribution over the year; we are well-placed as we look to the future."

A presentation for analysts and investors will be held this morning at 09.00am, which will also be webcast. For access to the live webcast, please register at the following link:
https://stream.brrmedia.co.uk/broadcast/65d774a3994661e3abf8ada5

Enquiries

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This announcement contains inside information.

About Hilton Foods
Hilton Foods is a leading international multi-protein producer, serving customers and retail partners across the world with high quality meat, seafood, vegan and vegetarian foods and meals. We are a business of over 7,000 employees, operating from 24 technologically advanced food processing, packing and logistics facilities across 19 markets in Europe, Asia Pacific and North America. For thirty years, our business has been built on dedicated partnerships with our customers and suppliers, many forged over several decades, and together we target long-term, sustainable growth and shared value. We supply our customers with high quality, traceable, and assured food products, with high standards of technical excellence and expertise.

Chairman’s introduction

Strategic progress

Hilton Foods has continued to make good strategic progress in a year of continuing global and economic challenges. We have become a multi-category and multichannel business, constantly and rapidly building our expertise, breadth and scale in all four food categories and in our supply chain services offer and we remain on the journey to our ambition to be the international food and supply chain services partner of choice.

We have deep retailer partnerships with leading automation and processes including physical automated conveyor air bridges installed in facilities in Australia and New Zealand that link our processing facilities directly to our customers’ distribution centres to optimise the supply chain process bringing significant logistics efficiency savings with lower carbon emissions.

During the year we signed a long term supply agreement with Walmart, a new customer, and will build a green field facility in Eastern Canada to supply a range of protein products to include beef, lamb, pork, seafood as well as some added-value products. This new Hilton Foods facility will provide robotised store order picking into Walmart's distribution centres.

We have also worked to develop our Greenchain Solutions business which offers an integrated tech stack proposition combining our existing end-to-end supply chain, manufacturing control and automation software expertise together with a specialist flexible factory wide ERP system.

We continue to explore opportunities to develop our cross-category business in both domestic and overseas markets as well as applying our state-of-the-art skills and experience to deliver value to our customers.

Group performance

2023 saw a recovery in profitability with sales and volumes increasing which continues a trend of continuous volume growth achieved in every year since Hilton’s flotation in 2007. Our UK Seafood business recovered strongly during the year although market challenges in our vegetarian/vegan business remain. We have taken steps to consolidate this business into a single operating facility and we are confident in the opportunities that the category will present for Hilton Foods over the coming years.

Hilton Foods generated strong operating cash flows during 2023 enabling further significant investment in our facilities to increase capacity, improve operational efficiency and offer innovative solutions to our retailer partners. Hilton Foods has a robust balance sheet and operating well within our banking covenants. This enables us to continue to invest to support the growth of the business.

Dividend policy

The Group has maintained a progressive dividend policy since flotation and remain confident that this continues to be appropriate. With the proposed final dividend of 23.0p per ordinary share, total dividends in respect of 2023 will be 32.0p per ordinary share, an increase of 7.7% compared to last year.

Our Board, purpose and governance

The Hilton Board is responsible for the long-term success of the Group and establishing its purpose, values and strategy aligned with its desired culture. Our purpose is to partner with leading retail and foodservice customers to produce high quality food products at scale that consumers desire. Our principle of partnership extends to our suppliers, colleagues and the communities in which we operate. We enable success through our passion for innovation, improving supply chains, processes and packaging, and continually developing our product ranges to best meet consumer needs. By creating efficiency and flexibility in the food supply chain as an international food processor and a supply chain service specialist we deliver growth for our stakeholders.

To achieve this the Board has an appropriate mix of skills, depth and diversity and a range of practical business experience, which is available to support and guide our management teams across a wide range of countries, continuing to address succession planning and maintain a talent pipeline. We remain committed to achieving good governance balanced against our desire to preserve an agile and entrepreneurial approach. I would like to thank my colleagues on the Board for their support, counsel and expertise during the year. During the year Steve Murrells joined the Board as CEO replacing Philip Heffer who has remained in the business as co-founder and Board advisor in a part time capacity. Sarah Perry joined the Board as an independent Non-Executive Director replacing Christine Cross.

The Board takes its responsibilities to promote the success of the Company for the benefit of its stakeholders as a whole very seriously. We take the interests of our workforce and other stakeholders fully into account in Board discussions and decision making. Details of the Group’s policies and procedures that have been implemented to enhance stakeholder and workforce engagement, which explain how these interests have influenced our decisions, are set out in the governance section of our Annual report.

Sustainability

Our 2025 Sustainable Protein Plan remains at the heart of Hilton Foods and we are encouraged by the progress being reported across the Group. When we developed the Plan in 2021, we agreed a series of challenging targets, many of them industry leading, such as our Science-Based Targets, to halve food waste by 2030 and having 30% of women in leadership positions. It is a reflection of the Hilton Foods culture and the commitment of management that many of these targets have now been met. Additionally our updated, more challenging, Science-Based Targets were approved in March 2024.

The starting point for the Plan was our point of difference as a company. Hilton Foods operates in a privileged position, serving customers across multiple markets and working in partnership with experts and leaders across the food industry from farm to fork and beyond. This gives us the opportunity to help drive targeted, practical changes and help tackle some of the biggest problems facing the world.

Annual General Meeting

This year’s AGM will be held at Hilton’s offices at 2-8 The Interchange, Latham Road, Huntingdon, Cambridgeshire PE29 6YE in a hybrid format on Monday 20 May 2024 at noon. Please refer to our website at www.hiltonfoods.com/investors/agm/ for further guidance.

Robert Watson OBE
Chairman
2 April 2024

Chief Executive's summary

Strong performance in line with expectations

We have delivered a strong performance in a challenging environment through focus on our core business and getting back to basics. Revenue has grown 5.7% on a constant currency basis (up 3.7% at actual fx rates) whilst volume has remained robust up 0.7% and adjusted profit before tax has recovered strongly, up 19.0% from delivery of the turnaround plan in our seafood business.

Segment performance

UK and Ireland

Adjusted operating profit of £35.5m (2022: £13.6m) on revenue of £1,329.3m (2022: £1,282.1m)

This operating segment covers the Hilton Foods businesses and joint ventures in the UK and Ireland including meat processing facilities in the UK in Huntingdon, seafood facilities in Grimsby, our food service business Fairfax Meadow and our ROI meat facility in Drogheda.

Volumes were 3.0% lower with revenue increasing by 3.5% on a constant currency basis (up 3.7% at actual fx rates) due to raw material price inflation. Operating margins increased to 2.7% (2022: 1.1%) reflecting a strong performance from the core meat businesses as well as improved profitability of UK Seafood.

The turnaround of our UK Seafood business recovery has been delivered ahead of plan, returning to full year operating profit and supporting the increase in adjusted operating profit. I am very proud of the performance that the team have delivered within our UK Seafood business over the last year, which has been delivered through consolidating and driving the core offer, effective inflation recovery and profitable new business wins supported by a sustainable cost out plan. The foundations are strong and momentum now builds into 2024 and beyond.

Fairfax Meadow continues to grow revenues and win new business. They are strategically well-placed, with a multi-category offer to capitalise on further opportunities.

Europe

Adjusted operating profit of £40.9m (2022: £36.0m) on revenue of £1,045.3m (2022: £972.6m)

This operating segment covers the Group's meat, easier meals, seafood, vegan and vegetarian businesses and joint ventures in Holland, Sweden, Denmark, Central Europe, Greece and Portugal.

Volumes were 2.0% lower with revenue increasing by 6.8% on a constant currency basis (up 7.5% at actual fx rates) reflecting a full year of Foppen following its acquisition in 2022 and raw material price inflation. Operating margins were 3.9% (2022: 3.7%). We have delivered strong growth in the easier meals category as shoppers sought quicker and easier meal solutions in Central Europe and Scandinavia. We launched our fresh, convenience food park in Sweden in the second half of the year serving our local partner there as well as in Denmark where we provide highly localised pre-prepared products, which are in great demand.

The business has taken decisive and timely action consolidating Dalco, our vegan and vegetarian business, into a single operating facility right sizing it in response to the structural market reset that has taken place in this sector.

APAC

Adjusted operating profit of £30.3m (2022: £26.7m) on revenue of £1,615.0m (2022: £1,592.9m)

In Australia, the Group operates three plants in Bunbury in Western Australia, Melbourne and Brisbane. We also have a multi protein food park facility in Auckland, New Zealand.

Volumes during the period increased strongly by 7.2%. Revenues were 6.7% higher on a constant currency basis (up 1.4% at actual fx rates). Operating margins increased to 1.9% (2022: 1.7%) largely attributable to the recovery of higher interest costs under our cost plus contract. We continue to see strong performance in the APAC region delivered through our partnership with Woolworths. Across all our regions including APAC, we have supported our customers to ensure they have relevant product ranges at affordable prices to meet the changing needs of consumers at a time of economic uncertainty.

Outstanding food products

Hilton Foods is a business built on a passion for food. The food skills within our innovation teams have supported our customers to have the right product ranges on the shelf to successfully meet the needs of their consumers. Combined with our insight experts we have driven growth across categories and regions.

In Hilton Foods Australia, we have grown sales through developing great value products in beef, pork, lamb and poultry including bigger, better value packs. In the UK we have launched premium, award winning, Christmas centre piece products and a new range of convenient ready to cook meals and within Europe we have relaunched our new and improved sandwiches and wraps, and new, healthier, ready meals.

Throughout 2023 we have continued to trial and roll out flow wrap packaging for mince products in Holland, Sweden, Central Europe, UK and Ireland. Through working in collaboration with our strategic supplier partners 70% of our packaging is now recyclable, and we have reduced overall packaging weight by 1,200t*.

** versus base of 2020*

Growing across international markets

Hilton Foods is uniquely placed to grow its product catalogue by region and this is a key focus for the business as we seek to grow in our existing markets. We have started with launching the fresh food park in partnership with ICA in Sweden and began working with a new retail partner in Ireland. Work is now underway, exploring the opportunity to increase our presence in seafood products across the APAC region.

In September 2023 we announced that we have signed a new long-term partnership with Walmart in Canada and will be serving their needs across meat and seafood products alongside sortation services from our first facility in North America.

Our primary focus remains on organic growth given the significant opportunities we have. However we will continue to selectively explore any complementary M&A, with strong returns and synergies, that arise.

Industry leading technology and facilities

Our industry-leading technology is a key element of our competitive edge, facing into macro market trends including labour availability and cost, and supply chain traceability and transparency. We provide highly efficient supply chains to our partners through scalable robotics and cloud-based infrastructure, allowing retailers to manage their full end-to-end value chain, from specification to product quality and cost of production mapping.

The Foods Connected platform supports both our business and our customers' businesses and their supply chains, optimising data-led decisions, driving cost efficiency and enabling visibility of supply chain risks.

Our integrated technology offer supports our core food business and we have further improved our highly automated food processing facilities, through our joint venture with Agito. This year we have made investments in end of line robotic automation in our UK meat and seafood facilities improving efficiency and reduced reliance on labour.

As well as supporting our core food business, each of our technology businesses are unlocking opportunities to commercialise their products and services outside of Hilton Foods. In the year both Foods Connected and Agito have won new customers in new geographies, and looking forward to 2024, our food focused ERP system Evolve 4 will start to be rolled out to Hilton Foods facilities.

The Sustainable Protein Plan

The Sustainable Protein Plan underpins everything we do and our sustainability commitments are crucial to our teams, our customers and their customers. Our principle of operating through partnership extends into sustainability where we deliver positive change by collaborating throughout the supply chain. This year we have continued to make progress on our commitments, with a reduction of 13%* in scope 1 and 2 emissions, achieving ISO 50001 accreditation for our energy management system across 10 of our facilities, and reducing our food waste by 42%*. We have maintained our CDP rating of A- with improvements in both categories of soy and timber. We continue to raise our standards with more ambitious science based targets, in line with a 1.5°C pathway, which were validated in March 2024.

** versus base of 2020*

Looking forwards

Through our principle of being consumer led we are well placed to grow. The strength and the longevity of our partnerships underpins everything that we do. We can expand both with existing partners and into new territories. Our strong financial position allows us to continue to invest in the future. In November, we shared our medium-term financial ambitions and strategic capital allocation framework to support our investment for long-term success. I believe that Hilton Foods has all the right ingredients to deliver long-term success.

Steve Murrells CBE
Chief Executive Officer
2 April 2024

Performance and financial review

Summary of Group performance

This performance and financial review covers the Group's financial performance and position in 2023. Hilton Foods overall financial performance saw strong profit growth reflecting the recovery in our UK Seafood business combined with volumes and sales growth. Cash flow generation was strong, supporting our ongoing significant investment in facilities.

Basis of preparation

The Group is presenting its results for the 52 week period ended 31 December 2023, with comparative information for the 52 week period ended 1 January 2023. The financial statements of the Group are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted International Accounting Standards.

Hilton uses Alternative Performance Measures (APMs) to monitor the underlying performance of the Group. Management use these APMs to monitor and manage the business's performance day-to-day and therefore believe they provide useful additional information to shareholders and wider users of the financial statements.

2023 Financial performance

Volume and revenue

Volumes grew by 0.7% in the year reflecting growth in APAC and full year volumes at Foppen acquired in 2022. Additional details of volume growth by business segment are set out in the Chief Executive's summary. Revenue increased 3.7% (5.7% on a constant currency basis) reflecting higher raw material prices and volume growth.

Operating profit and margin

Adjusted operating profit of £95.0m (2022: £71.1m) was 33.5% higher than last year and 34.7% higher on a constant currency basis reflecting the recovery in our Seafood business. IFRS operating profit was £86.1m (2022: £54.0m) after charging £3.9m in exceptional costs (2022: £11.9m). The operating profit margin in 2023 increased to 2.4% (2022: 1.8%) and the operating profit per kilogram of packed food sold increased to 18.4p (2022: 13.8p) mainly reflecting the recovery in our Seafood business.

Net finance costs

Adjusted net finance costs, excluding exceptional items and lease interest, increased to £28.9m (2022: £15.7m) reflecting the impact of higher market interest rates and supply chain financing costs. Interest cover as a proportion of adjusted operating profit in 2023 reduced to 2.3 times (2022: 4.5 times). IFRS net finance costs were £37.5m (2022: £24.4m).

Taxation

The adjusted taxation charge for the period was £17.2m (2022: £13.5m). The effective tax rate was 26.0% (2022: 24.3%). The IFRS taxation charge was £10.6m (2022: £10.1m) with an effective tax rate of 21.9% (2022: 34.2%).

Net income

Adjusted net income, representing profit for the year attributable to owners of the parent, of £47.2m (2022: £40.2m) was 17.4% higher than last year and 18.3% higher on a constant currency basis. IFRS net income was £36.4m (2022: £17.7m).

Earnings per share

Adjusted basic earnings per share 52.8p (2022: 45.1p) was 17.1% higher than last year and 17.9% on a constant currency basis. IFRS basic earnings per share were 40.6p (2022: 19.8p). Diluted earnings per share were 40.2p (2022: 19.7p).

Earnings before interest, taxation, depreciation and amortisation (EBITDA)

Adjusted EBITDA, which is used by the Group as an indicator of cash generation, increased to £144.0m (2022: £119.9m). IFRS EBITDA was £165.6m (2022: £131.8m).

Return on capital employed (ROCE)

ROCE, calculated as adjusted operating profit divided by average of opening and closing capital employed representing total equity adjusted for net bank cash/debt, leases, derivatives and deferred tax, was 18.3% (2022: 14.8%).

Free cash flow and net debt position

Operating cash flow was strong in 2023 with cash flows from operating activities of £216.1m (2022: £98.3m) reflecting higher profits and favourable working capital movements. IFRS free cash inflow, after capital expenditure of £58.6m but before dividends and financing, was £112.1m (2022: outflow £79.4m).

The Group closing net bank debt comprising borrowings less cash and cash equivalents excluding lease liabilities, reduced to £139.7m (2022: £211.6m) reflecting bank borrowings of £266.4m net of cash balances of £126.7m. Net debt including lease liabilities was £366.6m (2022: £457.7m). Year end net bank debt as a ratio of adjusted EBITDA reduced to 1.0 times (2022: 1.8 times).

At the end of 2023 the Group had undrawn committed bank facilities under its syndicated banking facilities of £108.7m (2022: £106.4m). These banking facilities are subject to covenants comprising net bank debt to EBITDA and EBITDA interest cover. There was comfortable headroom under these covenants at the end of the year for these metrics.

The resilience of the Group has been assessed by applying significant downside sensitivities to the Group's cash flow projections. Allowing for these sensitivities and potential mitigating actions, the Board is satisfied that the Group has adequate headroom under its existing committed facilities and will be able to continue to operate well within its banking covenants.

Dividends

The Group has maintained a progressive dividend policy since flotation and has recommended a final dividend of 23.0p per ordinary share in respect of 2023. This, together with the interim dividend of 9.0p per ordinary share paid in December 2023, represents an increase of 7.7% compared to last year at 29.7p per ordinary share. The final dividend, if approved by shareholders, will be paid on 28 June 2024 to shareholders on the register on 31 May 2024 and the shares will be ex dividend on 30 May 2024.

Key performance indicators

How we measure our performance against our strategic objectives

The Board monitors a range of financial and non-financial key performance indicators (KPIs) to measure the Group's performance over time in building shareholder value and achieving the Group's strategic priorities. The nine headline KPI metrics used by the Board for this purpose, together with our performance over the past two years, is set out below:

	2023 52 weeks	2022 52 weeks	Definition, method of calculation and analysis
Financial KPIs			
Revenue growth (%)	3.7%	16.5%	Year on year revenue growth expressed as a percentage. The 2023 increase reflects volume growth and higher raw material prices.
Adjusted operating profit margin (%)	2.4%	1.8%	Adjusted operating profit expressed as a percentage of turnover. The improvement in 2023 mainly reflects the recovery in our Seafood business.
Adjusted operating profit margin (pence per kg)	18.4	13.8	Adjusted operating profit per kilogram processed and sold in pence. The increase in 2023 mainly reflects the recovery in our Seafood business.
Adjusted earnings before interest, taxation, depreciation and amortisation (EBITDA) (£m)	144.0	119.9	Adjusted operating profit before depreciation and amortisation. The increase in 2023 mainly reflects the recovery in our Seafood business.
Return on capital employed (ROCE) (%)	18.3%	14.8%	Adjusted operating profit divided by average of opening and closing capital employed representing total equity adjusted for net bank cash/debt, leases, derivatives and deferred tax. The increase in 2023 is primarily driven by higher profitability.
Free cash flow (£m)	112.1	(79.4)	IFRS cash inflow/(outflow) before minorities, dividends and financing. The increase in 2023 is primarily attributable to i) improved operating cash flows driven by higher profits and favourable working capital movements and ii) the absence of acquisitions.
Net debt / EBITDA ratio (times)	1.0	1.8	Year end net bank debt as a percentage of adjusted EBITDA. The improvement in 2023 is due to strong profit and cash generation.
Non-financial KPIs			
Growth in sales volumes (%)	0.7%	4.3%	Year on year volume growth. Lower volume growth in 2023 reflected growth in APAC and full year volumes at Foppen acquired in 2022.
Customer service level (%)	94.1%	95.9%	Packs of product delivered as a % of the orders placed. The customer service level remains best in class.

In addition, a much wider range of financial and operating KPIs are continuously tracked at business unit level.

Going concern statement

The Directors have performed a detailed assessment, including a review of the Group's budget for the 2024 financial year and its longer term plans, including consideration of the principal risks faced by the Group. The resilience of the Group has been assessed by applying significant downside sensitivities to the Group's cash flow projections. Allowing for these sensitivities and potential mitigating actions the Board is satisfied that the Group is able to continue to operate well within its banking covenants and has adequate headroom under its committed facilities which do not expire until 2027. The Directors are satisfied that the Company and the Group have adequate resources to continue to operate and meet its liabilities as they fall due for the foreseeable future, a period considered to be at least 12 months from the date of signing these financial statements. For this reason, they continue to adopt the going concern basis for preparing the financial statements.

The Group's bank borrowings as detailed in the financial statements and the principal banking facilities, which support the Group's existing and contracted new business, are committed. The Group is in full compliance with all its banking covenants and based on forecasts and sensitised projections is expected to remain in compliance. Future geographical expansion which is not yet contracted, and which is not built into our internal budgets and forecasts, may require additional or extended banking facilities and such future geographical expansion will depend on our ability to negotiate appropriate additional or extended facilities, as and when they are required. The Group renewed its banking facilities in 2022 with a £424m five year revolving credit and term loan facility.

The Group's internal budgets and forward forecasts, which incorporate all reasonably foreseeable changes in trading performance, are regularly reviewed by the Board and show that it will be able to operate within its current banking facilities, taking into account available cash balances, for the foreseeable future.

Viability statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the three years ending in December 2026. A period of three years has been chosen for the purpose of this viability statement as it is aligned with the Group's three year plan, which is based on the Group's current customers and does not incorporate the benefits from any potential new contract gains over this period.

The Directors' assessment has been made with reference to the Group's current position and strategy taking into account the Group's principal risks, including those in relation to the changing geopolitical and macroeconomic environment, and how these are managed. The strategy and associated principal risks, which the Directors review at least annually, are incorporated in the three year plan and such related scenario testing as is required. The three year plan makes reasoned assumptions in relation to volume growth based on the position of our customers and expected changes in the macroeconomic environment and retail market conditions, expected changes in food raw material, packaging and other costs, together with the anticipated level of capital investment required to maintain our facilities at state-of-the-art levels.

Cautionary statement

This Strategic report contains forward-looking statements. Such statements are based on current expectations and assumptions and are subject to risk factors and uncertainties which we believe are reasonable. Accordingly the Group's actual future results may differ materially from the results expressed or implied in these forward-looking statements. We do not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Matt Osborne
Chief Financial Officer
2 April 2024

Risk management and principal risks

Overview

Effective risk management at Hilton Foods is essential to the delivery of our strategic objectives and aims to safeguard the interests of all our stakeholders in an increasingly complex world. Our proactive approach to risk management ensures the long term sustainable growth of all aspects of our business and is integrated into everything we do.

Risks and risk management

In accordance with provision 28 of the 2018 UK Corporate Governance Code, the Directors confirm that they have carried out a robust assessment of the emerging and principal risks facing Hilton Foods that might impede the achievement of its strategic and operational objectives or affect performance and cash position. As a leading international food and supply chain services provider in a fast-moving environment it is critical that Hilton Foods identifies, assesses and prioritises its risks. The result of this assessment is a statement of principal risks together with a description of the main controls and mitigations that reduce the effect of those risks were they to crystallise. This, together with the adoption of appropriate mitigating actions, enables us to monitor, minimise and control both the probability and potential impact of these risks.

How we manage risk

Hilton Foods takes a proactive approach to risk management with well-developed structures and a range of processes for identifying, assessing, prioritising and mitigating its key risks, as the delivery of our strategy depends on our ability to make sound risk informed decisions. The internal audit function provides independent assurance that Hilton Foods risk management, governance and internal control processes are operating effectively. The Audit Committee are regularly updated on the risk based assurance plan by the internal audit function who maintain and review processes for risk identification and assessment, measurement, control, monitoring and reporting.

Risk management process and risk appetite

The Board believes that it is vital to strike the right balance between an appropriate and comprehensive control environment and encouraging the level of entrepreneurial freedom of action required to seek out and develop new business opportunities; but, however skilfully this balance between risk and reward is struck, the business will always be subject to a number of risks and uncertainties, as outlined below.

At Hilton Foods we nurture a culture where everyone is required to be aware of the risks facing the business and their responsibilities for managing them. To support this we maintain and create an environment where employees feel comfortable speaking up. Our processes for identifying existing and emerging risks and responding collaboratively to them is managed by the Internal Audit function. Identified risks are measured and assessed for likelihood and impact allowing for the correct risk responses to be developed. Policies, procedures, controls and other measures are put in place to mitigate risks. We use a suite of preventative, detective and corrective controls.

Risk ownership is assigned to key leaders. This ownership is reviewed as part of the ongoing risk management process. Mitigation plans and controls are agreed in conjunction with the risk owner.

Not all the risks listed are within the Group’s control and others may be unknown or currently considered immaterial but could turn out to be material in the future. These risks, together with our risk mitigation strategies, should be considered in the context of our risk management and internal control framework, details of which are set out in the Corporate governance statement. It must be recognised that systems of internal control are designed to manage rather than completely eliminate any identified risks.

Risk management during 2023

Increasing geopolitical uncertainty

Escalating tensions in the Middle East, the ongoing conflict in Ukraine and the prospect of disruption resulting from major political elections in 2024 increase the risk impacting our supply chains and operations. Disruption to energy markets, global shipping and international trade can have far-reaching impacts. Learnings from the Covid-19 pandemic have helped us to build resilience in our supply chains and operations.

The macroeconomic environment

Although we expect energy price volatility and the acute cost of living crisis to ease as the rate of food price inflation slows, consumer spending and eating habits have been impacted. We recognise the effect of increasing interest costs on all businesses and we continue to focus on ways of reducing our exposure such as the use of cash pooling and exploring working capital financing.

Our continued focus on cost control, innovation and factory efficiency is enabling us to manage the inflationary pressures the industry is currently facing. Through our strong customer relationships we are able to support consumers to navigate through these challenging times.

Post-Brexit trade and regulatory landscape

We continue to monitor the UK and EU regulatory and trade environments as they evolve and amend processes and operations as required. We are working closely with our customers and supply chains to ensure preparation for the implementation of changes to the UK Border processes through 2024. Our focus on technology and automation further reduces our risk exposure in this area.

Principal risks

The most significant business risks that Hilton Foods faces, together with the measures we have adopted to mitigate these risks, are outlined in the table below. This is not intended to constitute an exhaustive analysis of all risks faced by Hilton Foods, but rather to highlight those which are the most significant.

Description of risk	Its potential impact	Risk mitigation measures and strategies adopted
Risk 1 The progress of Hilton Foods business is affected by the macroeconomic and geopolitical environment and levels of consumer spending. ⛔ No movement	No business is immune to difficult economic climates. The macroeconomic and geopolitical landscape, exacerbated by the Ukrainian war, geopolitical tension in the Red Sea region and current interest rates, is placing extraordinary financial pressures on our supply chains, operations, consumers and customers. The risk of energy price volatility and the ongoing cost of living crisis is impacting consumer spending and eating habits. As a result, our retail customers are under immense pressure to deliver value and are sharing that pressure with supplier partners.	Our strong growth model, based on successful diversification across different proteins and expanding as a technology-led supply chain partner is built on our strong ESG credentials which underpin our business resilience. We continue to broaden product ranges with our strong retail partners, maintaining a single-minded focus on minimising unit packing costs, whilst continuing to deliver high levels of product quality and integrity. Hilton Foods is able to harness its innovative and agile approach with its class-leading technology and systems to respond quickly and effectively to macroeconomic challenges and opportunities. We recognise the impact of increasing interest costs on all businesses and we continue to focus on ways of reducing our exposure such as the use of cash pooling and exploring working capital financing.

Risk 2 Hilton Foods growth potential may be affected by the success of our customers and the growth of their packed food sales. No movement	Hilton Foods products predominantly carry the brand labels of our customers so our sales are dependent on the success of our customers and their consumer perception which is increasingly influenced by environmental, social and governance (ESG) considerations.	Hilton Foods plays a very proactive role in enhancing its customers' brand values, by providing high quality, competitively priced products, high service levels, ongoing product and packaging innovation and category management support. We recognise that quality and traceability assurance are integral to our customers' brands and we work closely with customers to ensure rigorous quality assurance standards are met. Our customers continuously measure performance across a very wide range of parameters, including delivery time, product specification, product traceability and accuracy of documentation. We work closely with our customers to identify continuing improvement opportunities across the supply chain, including enhanced product presentation, extended shelf life and reduced wastage at every stage in the supply chain. Our ESG strategy underpins the growth of our product sectors for our customers and supports them to reach their goals. Our ambitious 2025 Sustainable Protein Plan is in partnership with our customers and suppliers as we engage in the key collaborative initiatives that drive sustainability for our sectors and raise the bar together. We have set stretching goals that drive impactful actions that become integrated into our core business practices. Our data collection platform, Foods Connected, demonstrates the assurance of standards across our supply chains, and allows us to measure progress towards our 2025 targets.
Risk 3 Hilton Foods strategy focuses on a small number of customers who can exercise significant buying power and influence when it comes to contractual renewal terms at 1 to 15-year intervals. No movement	Although Hilton Foods has historically relied on a few, influential retailers for a larger part of our revenue, this has diversified in recent years. The larger retail chains continue to focus on strengthening their market share of protein products in the countries in which we operate, creating an increasingly competitive retail environment. This has increased the buying and negotiating power of our customers, which could enable them to seek better terms over time. During periods of unprecedented inflationary pressure, misalignment between production costs and agreed operational packing rates may occur, potentially impacting profitability.	Hilton Foods is progressively widening its customer base, with the recent announcement of a partnership with Walmart Canada bringing further diversification to the customer portfolio. We maintain a high level of investment in state-of-the-art facilities, which together with management's continuous focus on reducing costs, allows us to operate very efficiently at very high throughputs and price our products competitively. Hilton Foods operates an entrepreneurial business structure, which enables us to work very closely and flexibly with retail partners, in order to achieve high service levels in terms of orders delivered, delivery times, compliance with product specifications and accuracy of documentation, all backed by an uncompromising focus on food safety, product integrity and traceability assurance. Hilton Foods has long-term supply agreements in place with its major customers, with pricing either on a cost plus or agreed packing rate basis. The Group maintains an ongoing focus on cost control, innovation and factory efficiency to

		manage inflationary pressures. Hilton continues to evolve and respond to changing market conditions. The provision of added value services in distribution and logistics deepens the relationships we have with our retailer partners. Greenchain Solutions, our technology and services business, offers an industry-leading technology platform providing end-to-end supply chain and integrated automation solutions. Investment in these services means that we are able to develop and maintain a technology advantage within our industry.
Risk 4 As Hilton Foods continues to grow there is more reliance on key personnel and their ability to manage growth, change, integration and compliance across new legislative and regulatory environments. This risk increases as the Group continues to expand with new customers and into new territories either organically or through acquisition with potentially greater reliance on stretched skilled resource and execution of simultaneous growth projects. ▲ movement	The Group may struggle to meet key strategic objectives and projects and fail to adhere to regulatory and legislative requirements, which in turn detracts from our performance delivery for our customers.	The Group carefully manages its skilled resources including succession planning and maintaining a talent pipeline. The Group is evolving its people capability balanced with an appropriate management structure within the overall organisation. Hilton Foods continues to invest in on-the-job training and career development, whilst recruiting high quality new employees, as required to facilitate the Group's ongoing growth. Appointment of additional key resources and alignment of structures have supported the enhancement of project management control and oversight. Control systems embedded in project management enable the risks of growth to be appropriately highlighted and managed. To underscore our efforts, we have active relationships with strong industry experts across all areas of business growth. In the current climate, strong partnership and proximity to our customers are fundamental. Hilton Foods leadership continues to develop its organisational structures to ensure as close a relationship with our retail partners as possible.
Risk 5 Hilton Foods business strength is affected by our ability to maintain a wide and flexible global food supply base operating at standards that can continuously achieve the specifications set by ourselves and our customers. Increasing geopolitical tension has heightened this risk exposure into 2024. ▲ movement	Hilton Foods is reliant on its suppliers to provide sufficient volume of products, to the agreed specifications, in the very short lead times required by customers, with efficient supply chain management being a key business attribute. The Group has both local and global sourcing models. Current or future tariffs, quotas or trade barriers imposed by supplier countries and other global trade developments, could materially affect the Group's international procurement ability and therefore potentially impact our ability to meet agreed customer service levels.	Hilton Foods maintains a flexible global and local food supply base, which is progressively widening as it expands and is continuously audited to ensure standards are maintained, so as to have in place a wide range of options should supply disruptions occur. We have also developed partnerships with key strategic suppliers who share our commitment to quality, food safety, animal welfare and sustainability. We engage with our suppliers through our supplier management platform, Foods Connected where we track supply chain compliance, internal quality procedures and manage the buying, planning and selling of our raw materials. This provides further assurance through strengthening supply chain robustness and transparency.

Risk 6 Contamination within the supply chain including outbreaks of disease and feed contaminants affecting livestock and fish. No movement	This will potentially affect Hilton Foods ability to procure sufficient quantities of safe raw material.	Hilton Foods sources its food from a trusted raw material supply base, all components of which meet stringent national, international and customer standards. We are subject to demanding standards which are independently monitored in every country and reliable product traceability and high welfare standards from the farm to the consumer are integral to our business model. Full traceability from source to packed product is ensured across our suppliers, supported by a comprehensive ongoing audit programme. Within our factories, Global Food Safety Initiative (GFSI) benchmarked food safety standards and our own factory standard assessments drive the enhancement of the processes and controls that are necessary to ensure that the risks of contaminants throughout the processing, packing and distribution stages are mitigated and traceable should a risk ever materialise.
Risk 7 Significant incidents such as fire, flood, pandemic or interruption of supply of key utilities could impact the Group's business continuity. No movement	Such incidents could result in systems or manufacturing process stoppages with consequent disruption and loss of efficiency which could impact the Group's sales.	Hilton Foods has robust business continuity plans in place including sister site support protocols enabling other sites to step in with manufacturing and distribution of key product lines where necessary. Continuity management systems and plans are suitably maintained and adequately tested including building risk assessments and emergency power solutions. There are appropriate insurance arrangements in place to mitigate against any associated financial loss.
Risk 8 Hilton Foods IT systems could be subject to cyber-attacks, including ransomware and fraudulent external email activity. Such attacks are rapidly increasing in frequency and sophistication, especially with the progression of artificial intelligence. movement	Hilton Foods operations are underpinned by a variety of IT systems. Loss or disruption to those IT systems or extended times to recover data or functionality could disrupt our operations and affect our sales and reputation. Unauthorised access to systems, both within our own network and in our supply chains, could lead to loss of sensitive information. The risk of cyber attack is exacerbated by increasing geopolitical uncertainties.	Our robust IT control framework, including our Information Security Program is aligned with the National Institute of Standards and Technology (NIST) Cybersecurity and ISO Frameworks. We proactively identify and assess vulnerabilities in our systems through simulated attacks, annual penetration testing and weekly vulnerability scans. Remediation procedures allow us to correct potential weaknesses promptly. Testing is conducted by both internal staff and specialist external bodies. We continuously improve our IT control framework which is applied consistently throughout the business and ensures that our defences remain resilient in the face of evolving cyber threats. Our Information Security Program places a strong emphasis on Incident Reporting and Response. We are establishing a process for employees to promptly report any potential security incidents, fostering a culture of transparency and accountability. In the event of an incident, our response protocols enable us to swiftly and effectively contain, eradicate, and recover from security breaches.

		Cyber awareness training plays a vital role in empowering our workforce to recognise and report potential incidents. Frequent testing and simulations help bolster the resilience of the organisation. The Board and Risk Management Committee are regularly updated on cyber security risk and mitigations. IT risk is considered when assessing new ventures, new sites are required to comply with our minimum standards and operating models. IT forms part of site business continuity exercises which test and help develop the capacity to respond to possible crises or incidents. There are regular IT security reviews to ensure compliance with expected levels of updates to applications, servers and data centres.
Risk 9 A significant breach of health and safety legislation or accident resulting from negligence or management oversight. The complexity of this risk increases as the Group expands both geographically and into new product groups. No movement	Such a situation could lead to reputational damage and regulatory penalties, including restrictions on operations, fines or personal litigation claims, or worst case a fatality.	Hilton Foods has established robust health and safety processes and procedures across its operations, including a Group oversight function which provides key guidance and support necessary to strengthen monitoring, best practice and compliance. The Group has also rolled out an enhanced standardised safety framework. Health and safety performance is reviewed regularly by the Board. We are in the process of rolling out a health and safety auditing platform to support the strengthening of our current health and safety framework.
Risk 10 Hilton Foods business and supply chain is affected by climate change risks comprising both physical and transition risks. Physical risks include long-term rises in temperature and sea levels as well as changes to the frequency and severity of extreme weather events. Transition risks include policy changes, reputational impacts, and shifts in market preferences and technology. No movement	Potential physical impacts from climate change could include a higher incidence of extreme weather events such as flooding, drought, and forest fires that could disrupt our supply chains and potentially impact production capabilities, increase costs and add complexity. Action taken by societies could reduce the severity of these impacts. Governmental efforts to mitigate climate change may lead to policy and regulatory changes as well as shifts in consumer demand. The potential transitional impacts include additional costs of low greenhouse gas emission farming systems, and the potential of carbon price regulation aimed at shifting consumers to lower carbon foods, which may reduce the profitability of some of our products. Additionally there is increased stakeholder focus on climate change issues. Our reputation could be impacted if we are not active in reducing the climate impacts of our operations and supply chains, resulting in lower demand for our products.	We continue to develop our approach to climate change risk mitigation. We have submitted more ambitious Science Based Targets across Scope 1, 2 and 3 emissions aligned to the 1.5℃ pathway, to decarbonise our own operations and supply chains. We have set energy and water efficiency targets for our sites and continue to engage in global collaborative action for decarbonisation of our key raw materials. We have targets in place to deliver net zero emissions from our operations and supply chain before 2050. Shifts in consumer demand are an opportunity for growth in our portfolio of plant based and seafood products. Additionally, we are ensuring we have the flexibility to adapt our supply chains over time to mitigate physical disruption. We continue to review and develop our assessment of the key physical and transition risks impacting our business in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Note: References in this preliminary announcement to the Strategic report, the Corporate and social responsibility report, the Directors' report and the Corporate Governance statement are to reports which will be available in the Company's full published accounts.

Responsibility statement of the Directors in respect of the Annual report and financial statements

Each of the Directors whose names and functions are set out below confirms that to the best of their knowledge and belief:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company and profit of the Group; and

- the management reports, which comprise the Strategic report and the Directors' report, include a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

This responsibility statement was approved by the Board of Directors on 2 April 2024 and is signed on its behalf by:

Directors

R Watson OBE	Chairman
M Osborne	Chief Financial Officer

Consolidated statement of comprehensive income

	Notes	2023 52 weeks £'000	2022 52 weeks £'000
Continuing operations			
Revenue	3	**3,989,547**	3,847,600
Cost of sales		**(3,559,185)**	(3,464,837)
Gross profit		**430,362**	382,763
Distribution costs		**(47,655)**	(42,028)
Other administrative expenses		**(293,288)**	(276,048)
Exceptional income - Insurance proceeds	4	**9,776**	-
Exceptional costs	4	**(13,651)**	(11,896)
Total administrative expenses		**(297,163)**	(287,944)
Share of profit in joint ventures		**585**	1,235
Operating profit		**86,129**	54,026
Finance income	5	**571**	356
Finance costs	5	**(38,062)**	(24,768)
Finance costs – net		**(37,491)**	(24,412)
Profit before income tax		**48,638**	29,614
Income tax expense		**(11,863)**	(10,267)
Exceptional tax income	4	**1,221**	145
Total income tax expense	6	**(10,642)**	(10,122)
Profit for the period		**37,996**	19,492
Attributable to:			
Owners of the parent		**36,380**	17,706
Non-controlling interests		**1,616**	1,786
		37,996	19,492
Earnings per share attributable to owners of the parent during the year			
Basic (pence)	7	**40.6**	19.8
Diluted (pence)	7	**40.2**	19.7

	2023 52 weeks £'000	2022 52 weeks £'000
Profit for the period	**37,996**	19,492
Other comprehensive (expense)/income		
Items that may be reclassified to profit or loss		
Currency translation differences	**(745)**	29
Gain on cash flow hedges	**6,778**	786
Other comprehensive income for the year net of tax	**6,033**	815
Total comprehensive income for the year	**44,029**	20,307
Total comprehensive income attributable to:		
Owners of the parent	**42,423**	18,219
Non-controlling interests	**1,606**	2,088
	44,029	20,307

The notes are an integral part of these consolidated financial statements.

Consolidated and Company Balance sheets

	Notes	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Assets					
Non-current assets					
Property, plant and equipment	9	**324,135**	327,611	**-**	-
Intangible assets	10	**156,122**	160,480	**-**	-
Lease: right of use assets	11	**194,083**	216,578	**-**	-
Investments		**7,939**	6,208	**247,785**	247,785
Deferred income tax assets		**19,136**	13,801	**-**	-
		701,415	724,678	**247,785**	247,785
Current assets					
Inventories		**179,741**	206,729	**-**	-
Trade and other receivables		**277,754**	271,160	**5,667**	5,875
Current tax assets		**-**	5,995	**-**	-
Financial assets at fair value through OCI		**3,625**	-	**-**	-
Cash and cash equivalents		**126,715**	87,224	**416**	186
		587,835	571,108	**6,083**	6,061
Total assets		**1,289,250**	1,295,786	**253,868**	253,846
Equity					
Equity attributable to owners of the parent					
Ordinary shares		**8,960**	8,943	**8,960**	8,943
Share premium		**144,926**	144,926	**144,926**	144,926
Employee share schemes reserve		**6,793**	5,004	**-**	-
Foreign currency translation reserve		**(2,992)**	(2,379)	**-**	-
Cashflow hedging reserve		**7,442**	786	**-**	-
Other reserves		**(30,781)**	(30,781)	**71,019**	71,019
Retained earnings		**175,963**	167,862	**28,961**	28,958
		310,311	294,361	**253,866**	28,958
Non-controlling interests		**11,167**	10,956	**-**	-
Total equity		**321,478**	305,317	**253,866**	28,958
Liabilities					
Non-current liabilities					
Borrowings	13	**237,792**	270,510	**-**	-
Lease liabilities	11	**211,585**	230,152	**-**	-
Deferred income tax liabilities		**14,743**	15,921	**-**	-
		464,120	516,583	**-**	-
Current liabilities					
Borrowings	13	**28,641**	28,279	**-**	-
Lease liabilities	11	**15,276**	16,006	**-**	-
Trade and other payables		**458,787**	426,203	**2**	-
Financial liabilities at fair value through OCI		**244**	3,398	**-**	-
Current tax liabilities		**704**	-	**-**	-
		503,652	473,886	**2**	-
Total liabilities		**967,772**	990,469	**2**	-
Total equity and liabilities		**1,289,250**	1,295,786	**253,868**	28,958

The notes are an integral part of these consolidated financial statements.

R. Watson OBE
Director

M. Osborne
Director

Hilton Food Group plc – Registered number: 06165540

Consolidated and Company Statement of changes in equity

		Attributable to owners of the parent										
Group	Note	Share capital £'000	Share premium £'000	Own shares £'000	Employee share schemes reserve £'000	Foreign currency translation reserve £'000	Cashflow hedge reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 3 January 2022		8,893	142,043	(87)	6,990	(2,106)	-	(30,781)	176,449	301,401	6,548	307,949
Profit for the period		-	-	-	-	-	-	-	17,706	17,706	1,786	19,492
Other comprehensive (expense)/income												
Currency translation differences		-	-	-	-	(273)	-	-	-	(273)	302	29
Gain/(Loss) on cash flow hedging		-	-	-	-	-	786	-	-	786	-	786
Total comprehensive income for the period		-	-	-	-	(273)	786	-	17,706	18,219	2,088	20,307
Transactions with non-controlling interests		-	-	-	-	-	-	-	(801)	(801)	3,584	2,783
Issue of new shares		50	2,883	-	-	-	-	-	-	2,933	-	2,933
Adjustment in respect of employee share schemes		-	-	-	(655)	-	-	-	-	(655)	-	(655)
Settlement of employee share scheme		-	-	87	(300)	-	-	-	-	(213)	-	(213)
Tax on employee share schemes		-	-	-	(1,031)	-	-	-	-	(1,031)	-	(1,031)
Dividends paid	8	-	-	-	-	-	-	-	(25,492)	(25,492)	(1,264)	(26,756)
Total transactions with owners		50	2,883	87	(1,986)	-	-	-	(26,293)	(25,259)	2,320	(22,939)
Balance at 1 January 2023		8,943	144,926	-	5,004	(2,379)	786	(30,781)	167,862	294,361	10,956	305,317
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**36,380**	**36,380**	**1,616**	**37,996**
Other comprehensive (expense)/income												
Currency translation differences		**-**	**-**	**-**	**-**	**(613)**	**-**	**-**	**-**	**(613)**	**(132)**	**(745)**
Gain on cash flow hedging		**-**	**-**	**-**	**-**	**-**	**6,656**	**-**	**-**	**6,656**	**122**	**6,778**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**(613)**	**6,656**	**-**	**36,380**	**42,423**	**1,606**	**44,029**
Transactions with non-controlling interests		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**150**	**150**
Issue of new shares		**17**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**-**	**17**
Adjustment in respect of employee share schemes		**-**	**-**	**-**	**1,815**	**-**	**-**	**-**	**-**	**1,815**	**-**	**1,815**
Tax on employee share schemes		**-**	**-**		**(26)**	**-**	**-**	**-**	**-**	**(26)**	**-**	**(26)**
Dividends paid	8	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(28,279)**	**(28,279)**	**(1,545)**	**(29,824)**
Total transactions with owners		**17**	**-**	**-**	**1,789**	**-**	**-**	**-**	**(28,279)**	**(26,473)**	**(1,395)**	**(27,868)**
Balance at 31 December 2023		**8,960**	**144,926**	**-**	**6,793**	**(2,992)**	**7,442**	**(30,781)**	**175,963**	**310,311**	**11,167**	**321,478**
Company												
Balance at 3 January 2022		8,893	142,043	-	-	-	-	71,019	28,850	250,805	-	250,805
Profit for the period		-	-	-	-	-	-	-	25,600	25,600	-	25,600
Total comprehensive income for the year		-	-	-	-	-	-	-	25,600	25,600	-	25,600
Issue of new shares		50	2,883	-	-	-	-	-	-	2,933	-	2,933
Dividends paid	8	-	-	-	-	-	-	-	(25,492)	(25,492)	-	(25,492)
Total transactions with owners		50	2,883	-	-	-	-	-	(25,492)	(22,559)	-	(22,559)
Balance at 1 January 2023		8,943	144,926	-	-	-	-	71,019	28,958	253,846	-	253,846
Profit for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28,282**	**28,282**	**-**	**28,282**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28,282**	**28,282**	**-**	**28,282**
Issue of new shares		**17**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**-**	**17**
Dividends paid	8	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(28,279)**	**(28,279)**	**-**	**(28,279)**
Total transactions with owners		**17**	**-**	**-**	**-**	**-**	**-**	**-**	**(28,279)**	**(28,262)**	**-**	**(28,262)**
Balance at 31 December 2023		**8,960**	**144,926**	**-**	**-**	**-**	**-**	**71,019**	**28,961**	**253,866**	**-**	**253,866**

The notes are an integral part of these consolidated financial statements.

Consolidated and Company Cash flow statements

	Notes	**2023 52 weeks £'000**	Group 2022 52 weeks £'000	**2023 52 weeks £'000**	Company 2022 52 weeks £'000
Cash flows from operating activities					
Cash generated from operations	14	**216,125**	98,312	**-**	-
Interest paid		**(38,062)**	(24,768)	**-**	-
Income tax paid		**(11,129)**	(13,881)	**-**	-
Net cash generated from operating activities		**166,934**	59,663	**-**	-
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired		**(413)**	(81,822)	**-**	-
Acquisition investments in associates		**(1,685)**	(1,764)	**-**	-
Issue/(repayment) of inter-company loan		**-**	-	**227**	(1,206)
Purchases of property, plant and equipment		**(55,428)**	(55,140)	**-**	-
Proceeds from sale of property, plant and equipment		**975**	261	**-**	-
Purchases of intangible assets		**(4,190)**	(1,622)	**-**	-
Interest received		**571**	356	**-**	-
Dividends received		**-**	-	**28,282**	25,600
Dividends received from joint venture		**468**	672	**-**	-
Insurance proceeds for property, plant, and equipment		**4,906**	-	**-**	-
Net cash (used in)/generated from investing activities		**(54,796)**	**(139,059)**	**28,509**	24,394
Cash flows from financing activities					
Purchase of non-controlling interest		**-**	(1,151)	**-**	-
Proceeds from borrowings	15	**11,372**	295,790	**-**	-
Repayments of borrowings		**(38,313)**	(228,565)	**-**	-
Payment of lease liability		**(14,585)**	(15,631)	**-**	-
Issue of ordinary shares		**-**	1,133	**-**	1,133
Dividends paid to owners of the parent		**(28,279)**	(25,492)	**(28,279)**	(25,492)
Dividends paid to non-controlling interests		**(1,545)**	(1,264)	**-**	-
Net cash (used in)/generated from financing activities		**(71,350)**	24,820	**(28,279)**	(24,359)
Net increase/(decrease) in cash and cash equivalents		**40,788**	(54,576)	**230**	35
Cash and cash equivalents at beginning of the year		**87,224**	140,170	**186**	151
Exchange (losses)/gains on cash and cash equivalents	15	**(1,297)**	1,630	**-**	-
Cash and cash equivalents at end of the year		**126,715**	87,224	**416**	186

The notes are an integral part of these consolidated financial statements.

Notes to the financial statements

1 General information

Hilton Food Group plc (‘the Company’) and its subsidiaries (together ‘the Group’) is a leading specialist international food packing business supplying major international food retailers in fourteen European countries, Australia and New Zealand. The Company’s subsidiaries are listed in a note to the full financial statements.

The Company is a public company limited by shares incorporated and domiciled in the UK and registered in England. The address of the registered office is 2–8 The Interchange, Latham Road, Huntingdon, Cambridgeshire PE29 6YE. The registered number of the Company is 06165540.

The Company maintains a Premium Listing on the London Stock Exchange.

The financial period represents the 52 weeks to 31 December 2023 (prior financial period 52 weeks to 1 January 2023).

This preliminary announcement was approved for issue on 2 April 2024.

2 Summary of significant accounting policies

The accounting policies are consistent with those of the annual financial statements for the year ended 1 January 2023.

Basis of preparation

The consolidated and company financial statements of Hilton Food Group plc have been prepared under the historical cost convention except for certain financial assets and liabilities measured at fair value and in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated and company financial statements have been prepared on the going concern basis. The reasons why the Directors consider this basis to be appropriate are set out in the Performance and financial review.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand (£’000) except when otherwise indicated.

The financial information included in this preliminary announcement does not constitute statutory accounts of the Group for the years ended 31 December 2023 and 1 January 2023 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

3 Segment information

Management have determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

The Executive Directors have considered the business from both a geographic and product perspective.

From a geographic perspective, the Executive Directors consider that the Group has four operating segments: i) UK & Ireland which comprises the Group’s operations in United Kingdom and Republic of Ireland; ii) Europe which includes the Group’s operations in the Netherlands, Sweden, Denmark, Central Europe and Portugal; iii) APAC comprising the Group’s operations in Australia and New Zealand; and iv) Central costs. Previously, the UK & Ireland and Europe segments were reported on a combined basis as “Europe” but following the changes to the Group’s organisational structure have now been shown separately. The restated segments are shown in the tables below.

From a product perspective the Executive Directors consider that the Group has only one identifiable product, wholesaling of food protein products including meat, fish and vegetarian. The Executive Directors consider that no further segmentation is appropriate, as all of the Group’s operations are subject to similar risks and returns and exhibit similar long term financial performance.

The segment information provided to the Executive Directors for the reportable segments is as follows:

Group	UK & Ireland £'000	Europe £'000	APAC £'000	Central costs £'000	2023 Total £'000	UK & Ireland £'000	Europe £'000	APAC £'000	Central costs £'000	2022 Total £'000
Total revenue	1,389,095	1,061,406	1,614,975	-	4,065,476	1,349,055	999,300	1,592,946	-	3,941,301
Inter-co revenue	(59,827)	(16,102)	-	-	(75,929)	(66,969)	(26,732)	-	-	(93,701)
Third party revenue	1,329,268	1,045,304	1,614,975	-	3,989,547	1,282,086	972,568	1,592,946	-	3,847,600
Adjusted operating profit/(loss) segment result (see note 17)	35,492	40,851	30,277	(11,639)	94,981	13,629	36,043	26,705	(5,233)	71,144
Amortisation of acquired intangibles	(5,084)	(4,432)	-	-	(9,516)	(2,449)	(5,808)	-	-	(8,257)
Exceptional items	(1,778)	(1,950)	-	(147)	(3,875)	(2,214)	(6,800)	-	(2,882)	(11,896)
Impact of IFRS 16	553	662	3,282	42	4,539	487	428	2,120	-	3,035
Operating profit/(loss) segment result	29,183	35,131	33,559	(11,744)	86,129	9,453	23,863	28,825	(8,115)	54,026
Finance income	35	137	399	-	571	6	350	-	-	356
Finance costs	(9,107)	(10,512)	(13,817)	(4,626)	(38,062)	(2,829)	(5,265)	(5,336)	(11,338)	(24,768)
Income tax (expense)/credit	(2,725)	(4,822)	(6,087)	2,992	(10,642)	771	(4,240)	(7,505)	852	(10,122)
Profit/(loss) for the period	17,386	19,934	14,054	(13,378)	37,996	7,401	14,708	15,984	(18,601)	19,492
Depreciation, amortisation and impairment	23,341	19,559	35,974	555	79,429	26,787	12,989	37,640	353	77,769
Additions to non-current assets	29,565	21,078	8,260	715	59,618	33,408	12,789	9,643	1,167	57,007
Segment assets	404,751	397,551	431,684	36,128	1,270,114	412,651	357,285	481,229	24,825	1,275,990
Current income tax assets					-					5,995
Deferred income tax assets					19,136					13,801
Total assets					1,289,250					1,295,786
Segment liabilities	187,225	199,881	380,598	184,621	952,325	184,209	202,694	466,492	121,153	974,548
Current income tax liabilities					704					-
Deferred income tax liabilities					14,743					15,921
Total liabilities					967,772					990,469

Sales between segments are carried out at arm's length.

The Executive Directors assess the performance of each operating segment based on its operating profit before exceptional items and amortisation of acquired intangibles and also before the impact of IFRS 16 (see note 17). Operating profit is measured in a manner consistent with that in the income statement.

The amounts provided to the Executive Directors with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. The assets are allocated based on the operations of the segment and their physical location. The liabilities are allocated based on the operations of the segment.

The Group has five principal customers (comprising groups of entities known to be under common control), Tesco, Ahold Delhaize, Coop Danmark, ICA Gruppen and Woolworths. These customers are located in the United Kingdom, Netherlands, Belgium, Republic of Ireland, Sweden, Denmark and Central Europe including Poland, Czech Republic, Hungary, Slovakia, Latvia, Lithuania and Estonia and APAC.

Analysis of revenues from external customers and non-current assets are as follows:

	Revenues from external customers		Non-current assets excluding deferred tax assets	
	2023	2022	**2023**	2022
Group	**£'000**	£'000	**£'000**	£'000
Analysis by geographical area				
United Kingdom – country of domicile	**1,265,333**	1,184,006	**223,058**	257,481
Netherlands	**475,790**	446,387	**117,829**	56,671
Belgium	**18,994**	26,915	**94**	883
Sweden	**245,202**	237,438	**24,392**	9,119
Republic of Ireland	**89,054**	83,686	**5,184**	3,008
Denmark	**123,098**	131,845	**16,207**	16,468
Central Europe	**154,722**	142,905	**23,735**	23,717
APAC	**1,617,354**	1,594,418	**271,780**	343,530
	3,989,547	3,847,600	**682,279**	710,877
Analysis by principal customer				
Customer 1	**1,107,282**	1,100,571		
Customer 2	**337,832**	341,289		
Customer 3	**243,501**	230,716		
Customer 4	**120,770**	124,506		
Customer 5	**1,447,520**	1,430,806		
Other	**732,642**	619,712		
	3,989,547	3,847,600		

4 Exceptional items

Group	Operating profit 2023 £'000	Tax 2023 £'000	Profit after tax 2023 £'000
Fire in Belgium	**7,711**	**-**	**7,711**
Insurance proceeds	**(9,776)**	**-**	**(9,776)**
Impairment	**1,955**	**(282)**	**1,673**
Reorganisation costs	**3,985**	**(939)**	**3,046**
Total exceptional costs/(income)	**3,875**	**(1,221)**	**2,654**

Group	Operating profit 2022 £'000	Tax 2022 £'000	Profit after tax 2022 £'000
Fire in Belgium	9,500	-	9,500
Acquisition of Foods Connected Ltd	(2,701)	-	(2,701)
Acquisition related costs	1,204	-	1,204
Reorganisation costs	3,893	(145)	3,748
Total exceptional costs/(income)	11,896	(145)	11,751

Fire in Belgium

In June 2021 the Group's facility in Belgium suffered an extensive fire. Exceptional costs totalling £7,711,000 (2022 cost £9,500,000) have been recognised in the period relating to additional costs incurred in continuing to operate in Belgium including the ongoing insurance and legal claim.

Insurance Proceeds.

The Group received an interim insurance payment of £9,776,000 related to the Fire Insurance claims in Belgium with further insurance claims pending. The results for the period to 31 December 2023 do not include potential additional income that may be received in respect of these claims. The balance of insurance proceeds are considered to be contingent assets. Legal claims have been made against the Group in connection with the fire. However at this stage the Group considers the likelihood of incurring financial liabilities as a result of these claims to be remote.

Impairment

Dalco announced the closure of one of its sites during the year. This closure allows us to optimise production and drive efficiencies at a single site creating a centre of excellence for our vegan and vegetarian production. An exceptional impairment charge of £1,200,000 has been recognised in respect of property, plant, and equipment. An additional impairment of £755,000 has been taken in respect of computer software in Belgium. An exceptional tax credit of £282,000 has been recognised in respect of these costs.

Reorganisation Costs

During the period exceptional reorganisation costs of £3,985,000 have been recognised by the Group. These costs resulted from on-going efficiency and restructuring programs which led to redundancies at a number of facilities operated by the Group. An exceptional tax credit of £939,000 has been recognised in respect of these costs.

5 Finance income and finance costs

Group	2023 £'000	2022 £'000
Finance income		
Interest income on short term bank deposits	**565**	63
Other interest income	**6**	293
Finance income	**571**	356
Finance costs		
Bank borrowings	**(20,056)**	(12,241)
Interest on lease liabilities	**(8,556)**	(8,758)
Supply chain finance interest	**(8,248)**	(2,721)
Other interest expense	**(1,202)**	(1,048)
Finance costs	**(38,062)**	(24,768)
Finance costs – net	**(37,491)**	(24,412)

6 Income tax expense

Group	2023 £'000	2022 £'000
Current income tax		
Current tax on profits for the period	**17,088**	13,697
Adjustments to tax in respect of previous periods	**(160)**	195
Total current tax	**16,928**	13,892
Deferred income tax		
Origination and reversal of temporary differences	**(5,769)**	(3,753)
Adjustments to tax in respect of previous periods	**(517)**	(17)
Total deferred tax	**(6,286)**	(3,770)
Income tax expense	**10,642**	10,122

Deferred tax charged directly to equity during the period in respect of employee share schemes amounted to £26,000 (2022: charge £1,031,000).

Factors affecting future tax charges

The Group operates in numerous tax jurisdictions around the world and is subject to factors that may affect future tax charges including transfer pricing, tax rate changes and tax legislation changes.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the standard rate of UK Corporation Tax of 23.5% (2022: 19%) applied to profits of the consolidated entities as follows:

	2023 £'000	2022 £'000
Profit before income tax	**48,638**	29,614
Tax calculated at the standard rate of UK Corporation Tax 23.5% (2022: 19%)	**11,430**	5,627
Effects of:		
Expense/(income) not deductible for tax purposes	**(202)**	1,074
Joint venture received net of tax	**(137)**	(238)
Adjustments to tax in respect of previous periods	**(677)**	178
Profits taxed at rates other than 23.5% (2022: 19%)	**1,310**	5,867
Impact of change in tax rates	**59**	(398)
Non-taxable gain on acquisition of JV	**-**	(513)
Unrecognised losses carried forward/(brought forward)	**566**	(444)
Deferred tax recognised in reserves	**(26)**	(1,031)
Accelerated capital allowances	**(1,681)**	-
Income tax expense	**10,642**	10,122

Adjustments to tax in respect of prior periods have resulted from changes in assumptions in respect of deductible expenses and the application of capital allowances.

7 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has share options for which a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Group's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Group		**2023 Basic**	**2023 Diluted**	2022 Basic	2022 Diluted
Profit attributable to owners of the parent	(£'000)	**36,380**	**36,380**	17,706	17,706
Weighted average number of ordinary shares in issue	(thousands)	**89,544**	**89,544**	89,234	89,234
Adjustment for share options	(thousands)	**-**	**895**	-	690
Adjusted weighted average number of ordinary shares	(thousands)	**89,544**	**90,439**	89,234	89,924
Basic and diluted earnings per share	(pence)	**40.6**	**40.2**	19.8	19.7

8 Dividends

Group and Company	**2023 £'000**	2022 £'000
Final dividend in respect of 2022 paid Final dividend paid in year pence per share 22.6p per ordinary share (2022: 21.5p)	**20,221**	19,143
Interim dividend in respect of 2023 paid Interim Dividend paid pence per share 9p per ordinary share (2022: 7.1p)	**8,058**	6,349
Total dividends paid	**28,279**	25,492

The Directors propose a final dividend of 23.0p (2022: 22.6p) per share payable on 28 June 2024 to shareholders who are on the register at 31 May 2024. This dividend totalling £20.6m (2022: £20.2m) has not been recognised as a liability in these consolidated financial statements.

9 Property, plant and equipment

Group	Land and buildings (including leasehold improvements) £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 3 January 2022	111,676	460,998	18,616	308	591,598
Exchange adjustments	3,313	15,110	654	25	19,102
Acquisition (note 12)	6,040	11,443	1,263	81	18,827
Additions	6,484	44,946	3,591	119	55,140
Transfer	-	496	100	-	596
Disposals	(7)	(1,171)	(47)	-	(1,225)
At 1 January 2023	127,506	531,822	24,177	533	684,038
Accumulated depreciation					
At 3 January 2022	33,779	250,865	15,418	48	300,110
Exchange adjustments	1,122	7,960	406	17	9,505
Charge for the period	7,623	36,529	2,712	121	46,985
Transfer	-	496	100	-	596
Disposals	(7)	(717)	(45)	-	(769)
At 1 January 2023	42,517	295,133	18,591	186	356,427
Net book amount					
At 3 January 2022	77,897	210,133	3,198	260	291,488
At 1 January 2023	84,989	236,689	5,586	347	327,611
Cost					
At 2 January 2023	**127,506**	**531,822**	**24,177**	**533**	**684,038**
Exchange adjustments	**(491)**	**(12,570)**	**(309)**	**(9)**	**(13,379)**
Acquisition (note 12)	**-**	**-**	**5**	**-**	**5**
Additions	**3,016**	**51,882**	**451**	**79**	**55,428**
Transfer	**400**	**(9,561)**	**7,624**	**2**	**(1,535)**
Disposals	**(881)**	**(31,043)**	**(1,939)**	**(91)**	**(33,954)**
At 31 December 2023	**129,550**	**530,530**	**30,009**	**514**	**690,603**
Accumulated depreciation and impairment					
At 2 January 2023	**42,517**	**295,133**	**18,591**	**186**	**356,427**
Exchange adjustments	**(550)**	**(5,523)**	**(209)**	**(5)**	**(6,287)**
Charge for the period	**7,018**	**37,264**	**3,264**	**82**	**47,628**
Exceptional impairment (note 4)	**-**	**1,200**	**-**	**-**	**1,200**
Disposals	**(803)**	**(29,667)**	**(1,939)**	**(91)**	**(32,500)**
At 31 December 2023	**48,182**	**298,407**	**19,707**	**172**	**366,468**
Net book amount					
At 31 December 2023	**81,368**	**232,123**	**10,302**	**342**	**324,135**

The cost and net book amount of property plant and equipment in the course of its construction included above comprise plant and machinery £32,357,000 (2022: £26,877,000).

10 Intangible assets

Group	Computer software £'000	Brand and customer relationships £'000	Goodwill £'000	Total £'000
Cost				
At 3 January 2022	16,751	35,079	69,482	121,312
Exchange adjustments	19	-	-	19
Acquisition (note 12)	2,849	37,452	21,105	61,406
Impact of finalising fair value of prior year acquisitions (note 12)	-	9,440	(8,053)	1,387
Additions	1,867	-	-	1,867
Transfer	(596)	-	-	(596)
At 1 January 2023	20,890	81,971	82,534	185,395
Accumulated amortisation				
At 3 January 2022	5,204	10,333	-	15,537
Charge for the period	2,019	7,955	-	9,974
Transfer	(596)	-	-	(596)
At 1 January 2023	6,627	18,288	-	24,915
Net book amount				
At 3 January 2022	11,547	24,746	69,482	105,775
At 1 January 2023	14,263	63,683	82,534	160,480
Cost				
At 2 January 2023	**20,890**	**81,971**	**82,534**	**185,395**
Exchange adjustments	**(419)**	**-**	**-**	**(419)**
Acquisition (note 12)	**1**	**343**	**1,325**	**1,669**
Additions	**4,190**	**-**	**-**	**4,190**
Transfer	**1,535**	**-**	**-**	**1,535**
Disposals	**(22)**	**-**	**-**	**(22)**
At 31 December 2023	**26,175**	**82,314**	**83,859**	**192,348**
Accumulated amortisation and impairment				
At 2 January 2023	**6,627**	**18,288**	**-**	**24,915**
Exchange adjustments	**(274)**	**-**	**-**	**(274)**
Charge for the period	**2,538**	**8,314**	**-**	**10,852**
Exceptional impairment (note 4)	**755**	**-**	**-**	**755**
Disposals	**(22)**	**-**	**-**	**(22)**
At 31 December 2023	**9,624**	**26,602**	**-**	**36,226**
Net book amount				
At 31 December 2023	**16,551**	**55,712**	**83,859**	**156,122**

Amortisation charges are included within administrative expenses in the income statement.

Goodwill Impairment Testing

Goodwill includes Seachill UK Limited £44,000,000 (purchased 2017), SV Cuisine Limited £2,789,000 (purchased 2021), Dalco £10,168,000 (purchased in 2021), Fairfax Meadow Limited £3,685,000 (purchased in 2021), Dutch Seafood Company BV (Foppen) £17,805,000 (purchased in 2022), Foods Connected Ltd £3,300,000 (controlling interest purchased in 2022) and Evolve 4 Group £1,325,000 (purchased 2023). Each business is considered to be a separate cash generating units. The recoverable amount of the cash generating units was calculated based on a value-in-use using a discounted cash flow model. For each cash generating unit the recoverable amounts calculated exceeded their carrying value.

The key assumptions used in the calculations are projected EBITDA, projected profit after tax, the pre-tax and post-tax discount rates and the growth rates used to extrapolate cash flows beyond the projected period. EBITDA and profit after tax are based on one-year budgets approved by the Board and longer term, three year, projections based on past experience adjusted to take account of the impact of expected changes to sales prices, volumes, business mix and margin. Cash flows are discounted at a pre-tax discount rate of 9.3%-13.4% (2022: 9.6%-10%) based on the country and cash generating unit with a growth rate of 2%-8% (2022: 2%) used to extrapolate cash flows. Discount rates and growth rates are calculated with reference to external benchmarks and where relevant past experience.

Sensitivity to changes in assumptions

The cash generating unit most sensitive to changes in assumptions, given the current challenges in the alternative proteins market is Dalco. The recoverable amount of the Dalco cash generating unit, calculated on a value in use basis, exceeded its carrying value and therefore no impairment was required. Key assumptions applied in the calculations of the recoverable amount were forecast EBITDA, a pre-tax discount rate of 9.3% and a growth rate of 2%.

The calculations are sensitive to changes in these assumptions with reasonable possible changes in assumptions being an increase in the discount rate of 0.5%pts, a reduction in growth rate of 0.5%pts or a reduction in budgeted cashflows of 5%. However, applying these reasonable sensitivities individually would not give rise to an impairment.

The impact in running reasonable sensitivities did not result in a material impairment in any of the other CGU's subject to impairment testing.

No indicators of impairment were identified in respect of other, amortised, intangible assets and therefore no impairment review has been undertaken.

Goodwill acquired in the period

Goodwill and other intangible assets totalling £1,325,000 has been provisionally recognised following the acquisition of Evolve 4 Group forming a separate cash generating unit in the period (see note 12). The individual cash generating units have been tested for impairment in the 2023 financial period.

11 Leases

(i) Amounts recognised in the balance sheet
The balance sheet includes the following amounts relating to leases:

Lease: right of use assets

Group	Land & Buildings £'000	Equipment £'000	Vehicles £'000	Total £'000
Opening net book amount as at 3 January 2022	211,773	7,234	2,997	222,004
Exchange Adjustments	5,946	230	80	6,256
Additions	2,462	2,272	1,101	5,835
Acquisition (note 12)	3,106	-	108	3,214
Remeasurements, reclassification and scope changes	120	-	(71)	49
Depreciation	(17,105)	(1,945)	(1,730)	(20,780)
Closing net book amount at 1 January 2023 and 2 January 2023	206,302	7,791	2,485	216,578
Exchange Adjustments	**(9,703)**	**(105)**	**(17)**	**(9,825)**
Additions	**-**	**4,123**	**996**	**5,119**
Reclassification	**3,990**	**(2,584)**	**(1,406)**	**-**
Remeasurements, reclassification and scope changes	**1,012**	**175**	**18**	**1,205**
Depreciation	**(16,086)**	**(2,225)**	**(683)**	**(18,994)**

Closing net book amount at 31 December 2023	**185,515**	**7,175**	**1,393**	**194,083**

Lease liabilities **Group**	**2023** **£'000**	2022 £'000
Current	**15,276**	16,006
Non-current	**211,585**	230,152
	226,861	246,158

Maturity analysis - contractual undiscounted cash flows **Group**	**2023** **£'000**	2022 £'000
Less than one year	**22,945**	22,645
One to five years	**80,502**	86,449
More than five years	**198,430**	220,081
Total lease liabilities	**301,877**	329,175

(ii) Amounts recognised in the consolidated income statement

The income statement shows the following amounts related to leases:

Depreciation charge on right-of-use assets **Group**	**2023** **£'000**	2022 £'000
Buildings	**16,086**	17,105
Plant & equipment	**2,225**	1,945
Vehicles	**683**	1,730
	18,994	20,780
Interest expenses (included in finance costs)	**8,556**	8,758
Expenses relating to short-term leases (included in costs of goods sold and administrative expenses)	**1,130**	748

The total cash outflow for leases in 2023 was £22,699,00 (2022: £24,387,000).

Variable Lease Payments

Leases with liabilities recognised of £9,014,000 (2022: £9,476,000), accounting for 3.7% (2022: 3.8%) of total lease liabilities, are subject to five yearly RPI linked rent reviews. These rent reviews are subject to a minimum collar, the impact of which is included in the calculation of lease liabilities and a maximum cap. If the impact of these variable lease payments had been recognised, applying index levels as at 2 January 2023, lease liabilities would have increased by 2023: £5,588,000 (2022: £4,536,000).

In addition, leases with liabilities recognised totalling £3,606,000 (2022: £5,021,000), accounting for 1.5% (2022: 2.0%) of total lease liabilities, are subject to annual CPI linked rent increases. If the impact of these variable lease payments had been recognised, applying index levels as at 31 December 2023, lease liabilities would have increased by £338,000 (2022: £1,054,000).

12 Business combinations

2023

On 29 August 2023 the Group acquired 80% of the share capital of Evolve 4 Group Limited a software provider of ERP systems for the food and drink manufacturing industry.

Group	Evolve 4 Group Limited £'000
Property, plant and equipment	**5**
Intangibles-Computer Software	**1**
Brand and customer relationship intangibles	**343**
Trade and other receivables	**294**
Cash and cash equivalents	**42**
Trade and other payables	**(1,315)**
Deferred tax	**53**
Goodwill	**1,325**
Fair value of assets acquired	**748**

Consideration	
Paid on completion	**455**
Deferred Payment	**143**
Non-controlling interest	**150**
	748

Evolve 4 Group Limited

Consideration for the acquisition the 80% interest in Evolve 4 Group Limited totalled £598,000. The acquisition of Evolve 4 Group provides an opportunity to deliver growth through new agreements with manufacturers in the foods and drinks industry across Europe and Australia, but also provides HFG a flexible and tailored ERP system to support increasing efficiencies of the core HFG operations.

Due to the timing of the acquisition by the Group in 2023, the assessment of the fair value of assets and liabilities acquired, and Goodwill was treated as provisional and is subject to further valuation by the Group.

Goodwill of £1,325,000 has provisionally been recognised in 2023. Residual goodwill relates to the strategic benefits for Hilton of diversifying its business and the know-how of Evolve 4 employees.

The value of other assets and liabilities reflect the amounts expected to be realised or paid, respectively.

The acquired business contributed revenues of £453,000 and operating profit of £123,000 to the group for the period from 29 August to 31 December 2023.

13 Borrowings

Group	2023 £'000	2022 £'000
Current		
Bank borrowings	**28,641**	28,279
Non-current		
Bank borrowings	**237,792**	270,510
Total borrowings	**266,433**	298,789

Due to the frequent re-pricing dates of the Group's loans, the fair value of current and non-current borrowings is approximate to their carrying amount.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Currency	2023 £'000	2022 £'000
UK Pound	**83,228**	79,878
Euro	**82,550**	88,432
Danish Kroner	**-**	837
Polish Zloty	**7,780**	9,666
Australian Dollar	**73,504**	93,162
New Zealand Dollar	**19,371**	26,814
	266,433	298,789

Bank borrowings are repayable in quarterly instalments from 2022 – 2027 with interest charged at SONIA (or equivalent benchmark rates) plus 1.95% - 2.10%. Bank borrowings are subject to joint and several guarantees from each active Group undertaking.

The Group has undrawn committed loan facilities of £109m (2022: £106m).

The undiscounted contractual maturity profile of the Group's borrowings is described in a note to the full financial statements.

Group net debt is analysed as per note 15.

14 Cash generated from operations

Group	2023 £'000	2022 £'000
Profit before income tax	**48,638**	29,614
Finance costs – net	**37,491**	24,412
Operating profit	**86,129**	54,026
Adjustments for non-cash items:		
Share of post-tax profits of joint venture	**(585)**	(1,235)
Depreciation of property, plant and equipment	**47,628**	46,985
Depreciation of leased assets	**18,994**	20,780
Impairment of property, plant and equipment	**1,200**	-
Impairment of intangible asset	**755**	-
Insurance proceeds adjustments for property, plant, and equipment	**(4,906)**	-
Amortisation of intangible assets	**10,852**	9,974
Gain on acquisition of Foods Connected Ltd (2022)	**-**	(2,701)
Loss/(gain) on disposal of fixed assets	**(76)**	-
Adjustment in respect of employee share schemes	**1,855**	(655)
Changes in working capital:		
Inventories	**22,769**	(23,741)
Trade and other receivables	**(14,865)**	(14,443)
Trade and other payables	**46,375**	9,322
Cash generated from operations	**216,125**	98,312

The parent company has no operating cash flows.

15 Analysis and movement in net debt

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Group	**2023** **£'000**	2022 £'000
Cash and cash equivalents	**126,715**	87,224
Borrowings (including overdrafts)	**(266,433)**	(298,789)
Net bank debt	**(139,718)**	(211,565)
Lease liabilities	**(226,861)**	(246,158)
Net debt	**(366,579)**	(457,723)

Net debt reconciliation	Cash/other financial assets £'000	Borrowings (including overdrafts) £'000	Net bank debt £'000	Lease liabilities £'000	Net debt £'000
At 2 January 2022	140,170	(224,732)	(84,562)	(243,396)	(327,958)
Cash flows	(54,576)	228,565	173,989	15,631	189,620
Lease additions	-	-	-	(5,835)	(5,835)
Acquisition	-	(56,938)	(56,938)	(3,214)	(60,152)
Repaid on acquisition	-	56,938	56,938	-	56,938
New borrowings	-	(295,790)	(295,790)	-	(295,790)
Exchange adjustments	1,630	(6,832)	(5,202)	(9,306)	(14,508)
Other changes	-	-	-	(38)	(38)
At 1 January 2023	87,224	(298,789)	(211,565)	(246,158)	(457,723)
Cash flows	**40,746**	**38,313**	**79,059**	**14,585**	**93,644**
Lease additions	**-**	**-**	**-**	**(5,119)**	**(5,119)**
Acquisition	**42**	**-**	**42**	**-**	**42**
New borrowings	**-**	**(11,372)**	**(11,372)**	**-**	**(11,372)**
Exchange adjustments	**(1,297)**	**5,415**	**4,118**	**9,831**	**13,949**
At 31 December 2023	**126,715**	**(266,433)**	**(139,718)**	**(226,861)**	**(366,579)**

16 Related party transactions and ultimate controlling party

The Directors do not consider there to be one ultimate controlling party. The companies noted below are all deemed to be related parties by way of common Directors.

Sales and purchases made on an arm's length basis on normal credit terms to related parties during the period were as follows:

Group	**2023**	2022
Sales	**£'000**	£'000
Sohi Meat Solutions Distribuicao de Carnes SA - fee for services	**3,426**	3,190
Sohi Meat Solutions Distribuicao de Carnes SA - recharge of joint venture costs	**467**	409
Agito Holdings Limited	**211**	464

Group	**2023**	2022
Purchases	**£'000**	£'000
Agito Holdings Limited	**6,203**	259

Amounts owing from related parties at the year end were as follows:

	Owed from related parties	
	2023	2022
Group	**£'000**	£'000
Agito Holdings Limited	**1,855**	464
Sohi Meat Solutions Distribuicao de Carnes SA	**1,631**	374
Sphere Design Limited	**189**	-
Cellular Agriculture Ltd	**406**	-
	4,081	838

Amounts owing to related parties at the year end were as follows:

	Owed to related parties	
	2023	2022
Group	**£'000**	£'000
Agito Holdings Limited	**401**	259
Sohi Meat Solutions Distribuicao de Carnes SA	**117**	55
	518	314

17 Alternative Performance Measures

The Group's performance is assessed using a number of alternative performance measures (APMs).

The Group's alternative profitability measures are presented before exceptional items, amortisation of certain intangible assets and depreciation of fair value adjustments made to property plant and equipment acquired through business combinations and the impact of IFRS 16 - Leases.

The measures are presented on this basis, as management uses these measures to assess business performance internally and therefore believe they provide useful additional information about the Group's performance and aids a more effective comparison of the Group's underlying trading performance from one period to the next.

Adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement below.

52 weeks ended 31 December 2023	**Reported £'000**	Add back: IFRS 16 Depreciation and interest £'000	Less: IAS 17 Lease accounting costs £'000	**Reported excluding IFRS 16 £'000**	Exceptional items £'000	Add back: Amort & depn of acquisition fair value adjustments £'000	**Adjusted £'000**
Operating profit - excluding exceptional items	**90,004**	18,910	(23,449)	**85,465**	-	9,516	**94,981**
Exceptional items	**(3,875)**	-	-	**(3,875)**	3,875	-	**-**
Operating profit	**86,129**	18,910	(23,449)	**81,590**	3,875	9,516	**94,981**
Net finance costs	**(37,491)**	8,556	-	**(28,935)**	-	-	**(28,935)**
Profit before income tax	**48,638**	27,466	(23,449)	**52,655**	3,875	9,516	**66,046**
Profit for the period	**37,996**	24,521	(23,449)	**39,068**	2,654	7,133	**48,855**
Less non-controlling interest	**(1,616)**	-	-	**(1,616)**	-	-	**(1,616)**
Profit attributable to members of the parent	**36,380**	24,521	(23,449)	**37,452**	2,654	7,133	**47,239**
Depreciation, amortisation and impairment	**79,429**	(18,903)	-	**60,526**	(1,955)	(9,516)	**49,055**
EBITDA	**165,558**	7	(23,449)	**142,116**	1,921	-	**144,037**
Earnings per share	**pence**			**pence**			**pence**
Basic	**40.6**			**41.8**			**52.8**
Diluted	**40.2**			**41.4**			**52.2**

52 weeks ended 1 January 2023	**Reported £'000**	Add back: IFRS 16 Depreciation and interest £'000	Less: IAS 17 Lease accounting costs £'000	**Reported excluding IFRS 16 £'000**	Exceptional items £'000	Add back: Amort & depn of acquisition fair value adjustments £'000	**Adjusted £'000**
Operating profit - excluding exceptional items	**65,922**	20,780	(23,815)	**62,887**	-	8,257	**71,144**
Exceptional items	**(11,896)**	-	-	**(11,896)**	11,896	-	**-**
Operating profit	**54,026**	20,780	(23,815)	**50,991**	11,896	8,257	**71,144**
Net finance costs	**(24,412)**	8,758	-	**(15,654)**	-	-	**(15,654)**
Profit before income tax	**29,614**	29,538	(23,815)	**35,337**	11,896	8,257	**55,490**
Profit for the period	**19,492**	28,215	(23,815)	**23,892**	11,751	6,370	**42,013**
Less non-controlling interest	**(1,786)**	(3)	-	**(1,789)**	-	-	**(1,789)**
Profit attributable to members of the parent	**17,706**	28,212	(23,815)	**22,103**	11,751	6,370	**40,224**

Depreciation and amortisation	**77,769**	(20,780)	-	**56,989**	-	(8,257)	**48,732**
EBITDA	**131,795**	-	(23,815)	**107,980**	11,896	-	**119,876**

Earnings per share	**pence**			**pence**			**pence**
Basic	**19.8**			**24.8**			**45.1**
Diluted	**19.7**			**24.6**			**44.7**

Segmental operating profit reconciles to adjusted segmental operating profit as follows:

52 weeks ended 31 December 2023	**Reported £'000**	Add back: IFRS 16 Depreciation and interest £'000	Less: IAS 17 Lease accounting costs £'000	**Reported excluding IFRS 16 £'000**	Exceptional items £'000	Add back: Amort & depn of acquisition fair value adjustments £'000	**Adjusted £'000**
UK & Ireland	**29,183**	3,242	(3,795)	**28,630**	1,778	5,084	**35,492**
Europe	**35,131**	4,021	(4,683)	**34,469**	1,950	4,432	**40,851**
APAC	**33,559**	11,530	(14,812)	**30,277**	-	-	**30,277**
Central costs	**(11,744)**	117	(159)	**(11,786)**	147	-	**(11,639)**
Total	**86,129**	18,910	(23,449)	**81,590**	3,875	9,516	**94,981**

52 weeks ended 1 January 2023	**Reported £'000**	Add back: IFRS 16 Depreciation and interest £'000	Less: IAS 17 Lease accounting costs £'000	**Reported excluding IFRS 16 £'000**	Exceptional items £'000	Add back: Amort & depn of acquisition fair value adjustments £'000	**Adjusted £'000**
UK & Ireland	**9,453**	3,202	(3,689)	**8,966**	2,214	2,449	**13,629**
Europe	**23,863**	5,467	(5,895)	**23,435**	6,800	5,808	**36,043**
APAC	**28,825**	12,111	(14,231)	**26,705**	-	-	**26,705**
Central costs	**(8,115)**	-	-	**(8,115)**	2,882	-	**(5,233)**
Total	**54,026**	20,780	(23,815)	**50,991**	11,896	8,257	**71,144**